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THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D.C. 20505

National Intelligence Council

DDI #7312-82
9 September 1982

NSC Review Completed as Redacted.

MEMORANDUM FOR THE RECORD

SUBJECT: 9 September SIG/IEP Meeting on Pipeline and
East-West Economic Relations

1. The meeting was chaired by Secretary Regan. Other principals included the DCI, Secretaries Baldrige and Weinberger, Ambassador Brock, and State Department Counselor Buckley.

2. The main purpose of the meeting was to obtain a full report on the discussions various US officials were having with the West Europeans on ways of breaking the impasse over oil and gas sanctions and on US preparations for future discussions.

3. Jim Buckley reported on US preparations for discussions with the Europeans. The British took the initiative in setting up a meeting of the four principal European countries in London, with the intention of following this up with a meeting which would include the US. The French, however, arrived with no instructions and, after returning to Paris, yesterday took the position that no meeting would be productive until the UN General Assembly session scheduled at the end of September. No other specific plans for meetings are in the offing.

4. The US has four main proposals for the Europeans:

- (1) Getting the Europeans to impose controls on exports of a group of oil and gas equipment and technologies that would have an impact on the Soviet economy equivalent to the impact of the expanded US controls announced in June. The proposed list of equipment is based heavily on CIA analysis of potential Soviet equipment bottlenecks. (Presumably, the Europeans would tie these controls to the continuing political repression in Poland and the US would present the package as having at least as great an effect on the Soviet economy as do present US proposals.)
- (2) Credit restraint--that is, possible reductions in government-guaranteed credits and interest subsidies.

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- (3) Expansion of COCOM restrictions to include nine new areas of military-related technologies, tighter enforcement procedures, and commitment to a new high-level COCOM meeting in 1983.
- (4) Development of joint policies for alternative energy sources in order to minimize the European need for Soviet gas.

The UK will also bring up agricultural sales to the USSR as an issue.

5. Papers on the US proposals will be circulated among interested agencies within the next day or so. US priorities among these proposals and the possibilities for success will be considered at the next SIG/IEP meeting next week.

6. Secretary Baldrige emphasized that the "temporary denial" measures taken against foreign firms are intended to prevent violations, not punish the firms, while the Commerce investigations proceed. These usually take about a month; they may result in expansion or reduction of the initial restrictions, depending on such factors as the impact on the firms, relationships with subsidiaries, etc.

7. Secretary Weinberger reported on his discussions with Thatcher, who says she agrees with US objectives but needs to consider the impact of sanctions on UK employment. She urgently wants an agreement. He also suggested that the US could direct defense orders to foreign countries who agree not to supply the USSR.

8. Ambassador Brock reported on his discussions with the Europeans. They badly want both a settlement of the specific issues on the pipeline and a meeting of minds on strategic policy vis-a-vis the USSR.

9. There was considerable discussion of the expressed rationale for US pipeline sanctions and other aspects of US policy on economic relations with the USSR. The DCI argued strongly that too much was being tied to Poland and that the basic objective of not aiding Soviet military expansion will continue.

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